

Financial Requirements and Resource Management

Overview

This chapter discusses how the Child Nutrition Programs (CNP) accounts are required to comply with generally accepted accounting standards, including the annual budgeting process. However, there are certain provisions of the Child Nutrition Programs that differ from other funds, programs, and accounts. This section outlines the following requirements:

- CNP Finance
- State Match
- Use of Funds
- Three Month Operating Balance
- Indirect Costs
- Meal Pricing – Adult and a la carte (guidance In MyIdahoCNP)

Terminology

A la carte – Food items that are priced and sold separately from a reimbursable meal.

Adult meal pricing – The price charged to adults who purchase a meal at a site participating in the National School Lunch Program and the School Breakfast Program.

Adult visitors -The charge to adult visitors, at the discretion of the sponsor, may be higher than the charge paid by adult employees.

Charge for reduced-price meals - Reduced meal prices cannot exceed 40 cents for lunch, 30 cents for breakfast, or 15 cents for snacks.

Children visitors – Non-enrolled customers who are charged the same price as adult visitors to cover the cost of the meal, USDA foods, and sales tax.

Fees for lunch services - Children enrolled in school must not be charged any additional fees for supervisory or other services provided in conjunction with the meal programs.

Food service employees - Meals served to cafeteria employees directly involved in the operation and administration of the breakfast and lunch program (managers, cooks, servers, etc.). These meals may be served at no charge and considered as a fringe benefit attributable to program costs. Therefore, the cost of such meals may be paid from program funds.

Charging food service employees for meals is left to the discretion of the sponsor.

Full priced meals – The maximum amount that enrolled children pay for their meals. The charge for a full price meal may be more in high schools than in grade schools. Schools may offer enrolled students a choice of reimbursable lunches. One lunch line may be more

expensive because of the cost of producing special meal items; however, reduced and free children may choose this line at no added cost.

Indirect costs – Costs that cannot be directly allocated because the amount is prorated across several programs (e.g. cost of utilities being charged to a school). Allowable indirect costs are based on total expenses for the current year minus food and milk, capital outlay, and prior indirect cost paid on a previous year. This is calculated by the Idaho Department of Education, Finance Department, and an approved Indirect Cost Rate is given to an SFA. This rate must be requested annually.

Meals for all – Enrolled free and reduced price recipients must be able to choose any meal offered with no additional charge.

Non-program foods – All food and beverages sold through food service that are not part of a reimbursable meal. Non-program foods include a la carte items (e.g., milk, entrée items, chips, etc.), adult meals, vending items, and catering.

Other sponsor employees - If meals are included as a fringe benefit or offered as part of the salary arrangement for non-food service personnel, the sponsor must provide enough money from non-school food service funds to the food service fund to pay the cost of these adult meals.

Reimbursement rates – The amount of funding paid by the USDA per meal type; rates are updated and published on the Federal Register each year.

Student meal pricing - Program regulations require that each lunch and breakfast be priced as a unit. In addition, regulations state that the Offer versus Serve provision is not to affect the selling price for a lunch or breakfast established by the district. Regardless of which items a student chooses, he/she must pay the established full or reduced price meal charge, as appropriate. Students eligible for free meals pay nothing.

Three month operating balances - The amount equal to the total net cash resources minus annual expenditure equals net fund balance; should not be greater than the amount needed to operate for three months.

What are Financial Requirements and Resource Management?

The Child Nutrition Program (CNP) account funds may not be used for expenditures that are not directly related to the CNP operation, although they may be part of the district's general fund. Any positive balance remaining in the CNP account at the end of the school year must be carried over to the next school year as a beginning balance in the CNP account.

State Match

"Federal law requires the State of Idaho to make these payments in order to continue to participate in the National School Lunch Program. These monies are provided to participating

school districts exclusively for use in Child Nutrition (CN) operations and must be deposited in their CN accounts.”; must be the FICA costs for their food services workers. Foundation Payments 88 accounting system needs to show either these costs were moved to the general fund or costs were paid directly out of the general fund. Public School Finance should be able to see those actual expenditures in general fund or the transfer of the original expenditures to general fund on their financials.

USDA Regulation – two ways this can be accomplished (State match at the sub-recipient level)

1. Benefits are paid directly from the General Fund.
 - a. Fund 100 (General Fund), Expenditure Program Code 710 (Child Nutrition Program), Object Code 200 (Benefits).
2. Benefits are paid from the Child Nutrition Fund, with matching monies transferred in from the General Fund.
 - a. Fund 290 (Child Nutrition), Revenue Code 460000 (Transfers In)
 - b. Fund 100 (General Fund), Expenditure Code 920 (Transfers Out)

Use of Funds

The food service program must be “nonprofit”. *Revenues received by the school food service are to be used only for the operation or improvement of the food service program.* Revenues cannot be used to purchase land or buildings or to construct buildings. The following list represents areas where revenues can be expended:

- Food service staff salary and benefits
- Food service staff training
- Freight charges for USDA commodities
- Supplies and materials for consumption
- Supplies and materials for sale or rental
- Utilities and communications (when they can be directly billed, such as a separate meter)
- Food service management fees
- Furniture and equipment
- Vehicles/transportation equipment

Three Month Operating Balance

The three month operating balance is the amount found by subtracting Annual Expenditure from Total Net Cash Resources.

If the amount exceeds the three month operating balance, then a Plan for Reducing Excessive Operating Balance would need to be submitted to the State agency on an annual basis.

Indirect Costs

Indirect costs are costs that cannot be directly allocated because the amount is spread across several programs (e.g., cost of a school site's utilities, such as water or electricity). School Food Authorities (SFAs) must follow fair and consistent methodologies to identify and allocate allowable indirect costs to school food service accounts. Each year a SFAs business office submits an Indirect Cost Rate Proposal to the Idaho Department of Education, Finance Division to receive approval to charge an Indirect Cost Rate. Only this approved Indirect Cost Rate can be charged to food service.

Employee Hours

Time spent working in Child Nutrition Programs cannot be estimated; hours worked in CNP must be noted on time sheets for actual time worked. Please refer to the documentation standards located in the USDA Indirect Cost Guidance Manual. Those SFAs adopting 2 CFR 200 will need to comply with the updated regulations.

Non-program Food Revenue Tool

The non-program food revenue tool completion is required for districts that sell any non-program foods. Non-program foods include a la carte items (e.g., milk, entrée items, chips, etc.), adult meals, vending items, and catering. Residential Child Care Institutions (RCCIs) may not need to complete this tool as they may not sell any non-program foods (all students qualify for free meal benefits and adults typically eat at no charge). The non-program food revenue tool is completed for **one full school week** and the results are used to set pricing for the non-program food available. The non-program food revenue tool is found in MyIdahoCNP under Download Forms.

A la Carte

A la carte pricing applies to students and adults. At a minimum, a la carte prices should be set to cover the total cost of each item. A reimbursable "Offer versus Serve" meal sold at the unit price and claimed for reimbursement should be priced lower than the total of the a la carte prices of the same items. A la carte pricing should include all labor, food, and other costs including sales tax connected to the product. Completion of the non-program food revenue tool will generate pricing information.

Adult Meal Pricing

Following is an explanation and recommendation for the calculation of adult meal prices in National School Lunch and National School Breakfast programs.

The United States Department of Agriculture (USDA) regulations state, "In no case should the funds collected for adult meals be less than the actual cost of providing the meals." The benefits of the National School Lunch and Breakfast Programs are for enrolled children only. According to federal guidelines, "no reimbursement or commodities are provided for meals served to adults." The USDA has developed a method for determining the minimum prices charged for adult meals. If sponsors do not intend to charge these prices, the lost revenue cannot be recouped from child payments or reimbursement. Completion of the non-program food revenue tool will generate pricing information.

Why are Financial Requirements and Resource Management Important?

All charges to the non-profit food service account must be charged in an allowable manner. All revenues received by or accruing to the CNP account must be used only for the operation and improvement of the foodservice program. Revenues include, but are not limited to, receipts from:

- The reduced or paid child and adult meals
- Any revenue from a la carte program or snack bar that is funded with food service funds
- Earnings on investments when food service has cash in the bank
- Other local revenues (i.e., catering)
- Federal and State reimbursement received by or accruing to the CNP account

Resources

Additional resources may be available for this topic. Please check the Idaho School Nutrition Reference Guide website for copies of manuals, user guides, and helpful links to relevant subject matter.